

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

MARKET TEST OF EXPERIMENTAL PRODUCT—
METRO POST

Docket No. MT2013-1

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 2**
(October 10, 2014)

The United States Postal Service hereby provides its responses to Chairman's Information Request No. 2, which was issued on October 2, 2014. Responses were due by October 8, 2014. Each question is reprinted verbatim and is followed by the Postal Service's response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE
By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Pricing and Product Support

Elizabeth A. Reed

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-3179, Fax -6187
October 10, 2014

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1. In its Request, the Postal Service states that it plans to expand the Metro Post market test to a number of additional metropolitan areas over the next year. Please identify the additional geographical areas where the Postal Service plans to test Metro Post.

RESPONSE:

The Postal Service is currently evaluating additional metropolitan areas for expansion, and is primarily focusing on the largest 100 metropolitan areas based on customer demand.

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2. According to a report by the United States Postal Service Office of Inspector General (USPS OIG), the Postal Service planned to suspend the Metro Post market test in San Francisco by March 1, 2014 and re-initiate the market test in San Francisco once it could secure participation from large retailers.²
 - a. Please confirm that the Postal Service suspended the Metro Post market test in San Francisco on March 1, 2014. If not confirmed, please explain.
 - b. Please explain if the Postal Service has re-initiated the Metro Post market test in San Francisco, or if the Postal Service plans to re-initiate the market test in San Francisco during the proposed one-year market test extension.

RESPONSE:

- a. Confirmed.
- b. The Postal Service has not re-initiated the market test in San Francisco, but is currently evaluating San Francisco for expansion of the market test over the next year.

² See USPS OIG Report, Metro Post Same Day Delivery Pilot – San Francisco District: Management Advisory Report, Report Number DR-MA-14-002, February 5, 2014, at 1.

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3. During the initial period of the market test, which lasted until January 2013, the Postal Service provided same-day delivery service for no more than ten qualifying e-commerce companies.³ Each company received same-day delivery service for up to ten participating locations and was limited to 200 packages per day. *Id.* at 2-3. The Postal Service stated that "these restrictions could be lifted after the Postal Service has been able to further test its operational capabilities to provide same-day service during the initial period of the test." *Id.* at 3. The Commission directed the Postal Service to file a notice prior to "changing the market test, e.g., number of customers and number of packages."⁴
- a. Please explain whether the initial restrictions on the market test are still effective in each geographic area where the Postal Service plans to test Metro Post. If not, please describe any limitations to the number of customers, participating locations, and packages in those geographic areas.
 - b. The Postal Service stated that participating companies must be "qualifying online e-commerce companies....with at least ten (10) physical locations nationally, one or more of which must be within the defined metropolitan area of the market test." Notice at 2. For each geographic area where the Postal Service plans to test Metro Post, please explain whether participating companies must meet the same criteria, or whether they will be subject to different eligibility criteria.

RESPONSE:

- a. The initial restrictions will still apply within each new geographic area. The Postal Service may seek to lift these restrictions at a later date, depending on customer demand.
- b. The same eligibility criteria will still apply within each new geographic area. The Postal Service may seek to change the eligibility criteria at a later date, depending on customer demand.

³ Notice of the United States Postal Service of Market Test of Experimental Product--Metro Post--and Notice of Filing Material Under Seal, October 12, 2012, at 2 (Notice).

⁴ Order Approving Metro Post Market Test, November 14, 2012, at 8 (Order No. 1539).

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4. The Postal Service states that “[t]esting has begun in new metropolitan areas to confirm [its] operational capabilities in these additional areas....” Request at 1. Please explain what this testing entails and whether it involves providing same-day delivery service in those areas.

RESPONSE:

The testing in new metropolitan areas does not involve providing same-day delivery service. The Postal Service has begun exploring its operational capabilities and seeking potential Metro Post participants in new metropolitan areas. Prior to onboarding any new participants, the Postal Service must make sure it has the resources and operational capability to offer same-day delivery service in those areas.

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5. Please discuss how the proposed expansion of the Metro Post market test to other metropolitan areas “will not create an unfair or otherwise inappropriate competitive advantage for the Postal Service or any mailer, particularly in regard to small business concerns.” See 39 U.S.C. 3641(b)(2).⁵ In your response, please discuss how Metro Post prices compare to the prices charged by all same-day package delivery competitors in the metropolitan areas where the Postal Service plans to offer Metro Post.

RESPONSE:

The Postal Service expects its prices to compare to competitors in the same way as they have in San Francisco and New York. Competitors' same-day delivery prices are generally the same across multiple metropolitan areas. In some cases, competitors offer prices that are lower than the Metro Post price range. Expansion into new metropolitan areas should not create a new inappropriate competitive advantage for the Postal Service. Please also see the Postal Service's response to CHIR No. 1, Question 5.

⁵ In this proceeding, “small business concern” means Courier and Express Delivery Services companies that meet certain criteria. See Responses of the United States Postal Service to Chairman's Information Request No. 1, October 25, 2012, question 5.